

California Cling Peach Board

Minutes of Meeting

November 8, 2013

California Farm Bureau Building
Sacramento, California

A meeting of the California Cling Peach Board was called to order by Vice Chairman, Rejeev Davit at 9:35 a.m. on Friday, November 8, 2013 in the California Farm Bureau's First Floor Conference Room. Roll was taken, showing a quorum was *not* present, with the following in attendance:

Members

Harinder Bains
Rajeev Davit
Joe Dickens
Richard Lial
Justin Micheli
Brian Noeller
Rick Zolezzi

Rich Hudgins, Ex-Officio

Alternates

Lance Jackson
Peter Martini

Staff/CDFA

Alicia Adler, BCI
JD Allen, Manager
John Gilstrap, Asst Manager
Ginny Hair, ECHO
Dennis Manderfield, CDFA

Guests

Bill Bryan, CCPA
Ajayab Dhaddey, CCPA
Trudi Hughes, CLFP
Austin Hurtado, MMS
Kris King, PCP
Allyson Rathkamp, CLFP

Nomination Meetings

Allen announced the schedule for three nomination meetings to be held over the coming months. The District 1 meeting is to be held in Yuba City on Thursday January 16, 2014 at 10:00 a.m. in conjunction with the Sacramento Valley Cling Peach Day. The District 2 & 3 nomination meetings will be held during the Modesto Cling Peach Day meeting on Thursday, December 12, 2013 at 10:00 a.m. Time will be allotted at both of the aforementioned meetings for the Board to present an update of the Board's activities to the attendees. The District 4 meeting will be held in Dinuba at the Board office on Friday, December 13, 2013 at 10:00 a.m.

Crop/Harvest and Industry Issues Report

Hudgins reported that deliveries to processors totalled 364,400 tons in 2013, about 1% below last year's deliveries. He noted that after struggling with sizing problems for extra early varieties, yields improved for lates and extra lates as the season progressed. He said that with some challenging yield in other producing countries, supplies are tight resulting in a strong market position for California product.

Hudgins gave a report on the NuVal project, noting three areas of progress: 1) Regulatory: FDA will be putting forth regulations to define scientifically-based nutrition criteria for "front-of-package" (FOP) labeling based on consumer research and the findings of the Institute of Medicine. He said this will put further pressure on NuVal and other FOP labeling schemes to ensure accurate ratings, 2) Legislative: Hudgins also noted that Congressman Frank Pallone, Jr. of New Jersey introduced legislation, the Food Labeling Modernization Act of 2013, which will direct the Secretary of Health and Human Services to establish a single, standard FOP labeling system and cut down on the confusing and misleading information that consumers encounter on food packages. He stated passage of this bill would effectively eliminate NuVal, however, it is unlikely the bill will be voted

on this year in its entirety. Individual pieces may prove easier to pass this year than the entire bill, which would also add pressure to NuVal and other systems, and 3) Industry: Because of the aforementioned regulatory and legislative pressures as well as the fact that new retailers adding the NuVal system have all but dried up, NuVal officials are now in the process of re-tweaking their scores for canned fruits and vegetables to make them more in line with reality. Hudgins said he expects the new scores out sometime during the first quarter of 2014.

CLFP Report

Hughes gave a comprehensive report (Exhibit "A") on issues being dealt with by CLFP including chemical products regulation, proposition 65 reform, water and energy, food safety (FSMA) legislation, and AB 32/cap-and-trade legislation.

Trade Policy Report

Pam Walther of McDermott Will & Emery spoke via telephone from her office in Washington D.C. regarding trade issues in front of Congress. Walther reported on issues concerning the Trade Promotion Authority (TPA), Farm Bill, China, the Transatlantic Trade and Investment Partnership (TTIP), the Transpacific Partnership Agreement (TPP), and the African Growth and Opportunity Act (AGOA). For complete details see her attached report (Exhibit "B").

Crop Audit and Financial Report

Allen led the Board through a discussion of the 2013 crop audit and then of the current financial report, (Exhibit "C", attached), stating the audit of the processors had just been completed showing a final paid tonnage for 2013 of 346,645. The audit showed that the processors do a great job of making accurate payments with less than \$100 still owed to the Board. He said this was just under the budgeted amount of 350,000 tons, or about \$9,730 short of the estimated assessment income for the year. He also noted there is still a long way to go on the other income items, as the foreign promotion reimbursements, other income (Pacific Northwest and California League of Food Processor contributions) and the balance of the Specialty Crop Block Grant, cumulatively representing over \$600,000, are yet to be collected. He said that most of the income items are on course, but did mention there was a \$12,130 payment made in the current year, that should have been charged to last year's foreign promotion account. Allen stated there was a current cash balance of \$1,205,138 in the bank.

Allen then stated that the winner of the "Guesstimate" this year was Chris Miller who guessed 351,434 tons back in May, and was over the actual tonnage by just 4,789 tons. Since Miller was not present at the meeting, Allen suggested calls of congratulation to Miller would be appropriate.

Advertising and Promotion Committee

Committee Chairman Davit said the Committee had met on November 7, and heard reports from Hair on the domestic promotion and Adler on the foreign promotion programs. Davit then turned the floor over to Hair.

Domestic Promotion Program

Core Program: Ginny Hair gave a report of their recent activities, a copy of which is available in the Board office. Hair said Echo has been very busy touting our "California Canned Peaches on Par with Fresh" nutritional message all around the country. Echo went to the National School Nutrition Association Conference (SNA) in Kansas City, the BlogHer Conference in Chicago and the Academy of Nutrition and Dietetics Conference (AND) in Houston. She also noted the upcoming California School Nutrition Association (CSNA) annual conference, to be held in Palm Springs

starting on November 14th and said she would really love to have a grower attend as the school foodservice directors really enjoy talking with the actual growers of the food they use in their programs.

One of the highlights of the domestic program this year was to be involved with an episode of The Chew, an ABC show that featured California cling peaches and Justin Micheli educating Carla Hall, one of the hosts of the show, about our product. Hair then outlined the Board's social media reach for the summer and fall of 2013 which, between Twitter, Pinterest, Facebook and YouTube totaled 898,876 consumers reached, up from 680,136 for all of last year.

Specialty Crop Block Grant Update: Hair said she originally envisioned a retail partner enlisted by now for the in-store program, but realized that efforts to get all the processors on board required a delay. Additionally, based upon feedback from the processors, it was decided that the original target launch of October would not be optimal and decided on a launch sometime right after the first of the year. When asked about the delay in selecting a retailer, Hair said there had been interest from Raley's several months ago, but it was determined that because Raley's currently uses the NuVal system (which unfairly penalizes canned peaches in their nutritional rating scheme), Raley's was not an option at that time. However, with no retailer yet signed on, Hair said the Promotion Committee had instructed her to go back to Raley's and determine if they are still willing to partner with the Board for the in-store program. Hair then said she would reconnect with them, but noted she has made some progress with Save Mart Supermarkets and feels they may want to sign on with the program. Hair said if she can sign Save Mart up for the program she would not go back to Raley's. When asked, Hair said she felt confident the Board would have one of the two retailers committed to the program by the end of November.

Hair also noted she had talked with Safeway about the in-store program and although they were not interested in hosting that particular project, they were very interested in utilizing and incorporating the nutrition information developed by the Board into their own programs. Hair felt this was a great by-product of the Board's nutritional efforts and could be offered to other interested parties without much cost involved, yet with potential for very high returns.

Foreign Promotion Program

Alicia Adler from Bryant Christie, Inc. (BCI) presented the Board with a full report on the relatively smooth transition from JEVCO to BCI since Jean Valentine's retirement, and progress in the Canadian and Mexican programs (presentation available from the Board office upon request). With \$549,188 in 2012-13 MAP funds expended to date, she noted the Board has averaged spending about 90% of MAP allocations since 2009 and will probably end up spending about the same for the current year. Adler stated she feels the expenditures should be at about 95% of allocations to help insure the program doesn't risk reduced funding in subsequent years.

Canada: Adler noted there was a 23% increase in 2012-13 California canned fruit exports into Canada over 2011-12, which left Canadian import brokers very optimistic, although tonnage was not enough to obtain new business. On the trade merchandising front during 2012-13, California processors secured 3 new foodservice customers in Quebec, several new items, including 5 ounce metal can fruit cups and 4 new "less sugar" 14 ounce canned products. It was also noted that the entire Canadian Del Monte label is now California canned fruits, with no Chinese product other than the plastic container items. Market situation for 2013-14 is moving quickly with low crop yields in China and Greece, but because of the smaller tonnage this year in California, we have been unable to capitalize fully on the Greek and Chinese shortfall. Adler also mentioned CCPB will lead a

buyer/media tour next summer in the California growing regions.

Mexico: Adler said market conditions in Mexico during the 2012-13 season showed California as the second largest supplier of product with 30% market share, behind Chile which boasted a 50% share. Importers were satisfied with the California supply in 2012 but are expecting lower volumes in 2013. There were 1,480 in-store promotions and sampling events through Bodega Aurrera, which is owned by Wal-Mart Mexico, and the Board gave promotional support to importers in Mexico City, Puebla and Monterrey. For 2013-14, Adler said they would be using social media to leverage in-store promotional opportunities and would also be developing a California Cling Peach Board Spanish language website.

Adler thanked the Board and said she will be conducting annual representative reviews in the upcoming year to make sure all efforts are in line with the Board's program and will conduct contract bidding in May. She also noted she will be on maternity leave this spring for several months and that Michelle Paul will help to carry out her duties during that time.

Research Committee Report

Zolezzi informed the Board that the next meeting of the Research Committee would be held on January 23rd at UC Davis. He explained final reports for the current research projects are due on January 1st and would be reviewed by the Committee at the next meeting. Zolezzi said the Committee expects to continue with their core projects as they feel the current projects are "on point" and very beneficial to the growers. Allen said the mid-year reports are available upon request.

Executive Committee Report

Davit explained the Executive Committee had met on Thursday after the Promotion Committee meeting and reviewed the financial report and audit. He also said it was decided to initiate a third-party review of the domestic promotion program to make sure the Board is progressing in the right direction and that the grower funds are being spent in the most economical way. Davit stated the Executive Committee would solicit and review proposals and then initiate the review before the end of the year.

Future Meeting Dates

Johl announce the next Board meeting would be in March with the exact date and time to be determined.

There being no further business, the meeting was adjourned to lunch at 12:03 p.m.



I, JD Allen, Manager of the California Cling Peach Board, do hereby certify, that to the best of my knowledge, the foregoing is a true and correct copy of the minutes of the California Cling Peach Board meeting held at the Farm Bureau Building in Sacramento, California on November 8, 2013.



JD Allen, Board Manager

CLFP Regulatory Issues Update

FALL 2013

Chemicals and Toxics

(Staff Contact: Trudi Hughes)

Safer Chemical Products Regulation

On August 28, the California Office of Administrative Law approved the "Safer Chemical Products" regulations developed by the California Department of Toxic Substances Control ("DTSC"). The regulations took effect on October 1, 2013.

The regulations implement California's "Green Chemistry" law adopted by the Legislature in 2008. The final regulations apply to consumer products that are placed into the stream of commerce in California. They establish a three-step process. Under the first step, DTSC will identify "candidate" chemicals of concern and identify and prioritize products containing candidate chemicals. Under the second step, responsible entities, usually the manufacturer of priority products identified by DTSC, must analyze alternatives to eliminate or reduce potential exposure to chemicals of concern in priority products. In the third step, DTSC will review and respond to the manufacturer's analysis based on criteria set out in the regulations. DTSC's response can include prohibiting the sale and distribution of the product in California.

CLFP is a member of the Green Chemistry Alliance (GCA), which is a highly diverse business coalition comprised of national and state trade associations and numerous large and small companies spanning the consumer market and global supply chain. For the last five years and nine iterations, GCA and its coalition members have largely coalesced around major aspects of the process and the offered solutions.

There are still considerable concerns over these final regulations and how they will impact future innovations and product development. However, because of the active engagement of the business community, these regulations are much more workable.

Proposition 65 Reform

Governor Brown announced in May, 2013 that he wanted to reform Proposition 65 to curb frivolous lawsuits and make warnings more meaningful. CLFP has taken a keen interest in this issue given the number of lawsuits filed against food manufacturers in recent history.

Staff at CLFP was heavily engaged in the Governor's stakeholder group to help draft legislative language to reform and modernize Proposition 65. The CLFP Food Safety, Nutrition and Labeling Committee formed a Prop 65 Working Group to provide CLFP staff with technical assistance. In addition, CLFP engaged with a general business coalition organized by the California Chamber of Commerce as well as a more focused food and agriculture coalition. These coalitions were instrumental in helping frame the issues and provide more cohesive comments and feedback to the Governor's staff on the policy proposals.

The Governor stated that he wanted his legislative reform package to curb frivolous lawsuits, enhance warning requirements, and expand the exemptions from the warning requirements. Specifically, the Governor proposed:

- Statutory provisions to make it more difficult and less lucrative for unscrupulous bounty hunter trial attorneys to file frivolous lawsuits against manufacturers and retailers. These provisions include requirements that plaintiff attorneys provide more detailed information on the initial 60 day notices and Certificates of Merit, reforms to the payments in lieu of civil penalty provisions, and bifurcation of attorney fees from settlement agreements.
- A statutory framework that would provide direction and parameters to the Office of Environmental Health Hazard Assessment (OEHHA) in the development of regulations for clear and reasonable warnings that will include minimum elements such as the name of the chemical, the health effects, the route of exposure, and how to avoid or reduce exposure.
- A proposal to reduce the 1000-fold safety factor for determining the Maximum Allowable Daily Level (MADL) for reproductive toxicants to 100-fold if human studies are available. The administration argued that this would give OEHHA more flexibility to use the best science available and not have to rely on animal studies.

While CLFP is generally supportive of litigation reform, we argued that these modest proposals are not far reaching enough. Further, CLFP opposed the enhanced warning proposal arguing that it was excessive and likely to lead to increased litigation exposure.

There was considerable debate on the 1000-fold safety factor, and CLFP and many others in the business community, feared that this would have led to even lower allowable levels of chemicals, including lead.

Unfortunately, there was not enough support from any of the stakeholders for the Governor to move ahead with his reform package. CLFP continues to engage the Administration on Prop 65 issues and we are hopeful that we can work through the regulatory process to get much needed reforms for food and agriculture.

Environmental Justice/Disadvantaged Communities (Staff Contact: Trudi Hughes)

California Communities Environmental Health Screening Tool

The Office of Emergency Health Hazard Assessment (OEHHA), under the direction of the California Environmental Protection Agency (CalEPA), has drafted a "California Communities Environmental Health Screening Tool" intended to help classify California communities by zip code according to various environmental, health and socio-economic factors, and then use the "cumulative impact" score to rank those communities. CalEPA has announced that the tool is intended to be used by many state agencies, departments and local governments.

While this tool could be effective in allocating resources toward environmental education, abatement and cleanup, it also could result in environmental "redlining" that could slow or stop business expansion or development, prevent job creation and hamper economic recovery in some of our neediest communities. Many of the disadvantaged communities are located in the Central Valley, in cities and regions where CLFP member companies are located.

The Secretary of Cal/EPA has indicated in a guidance memo to stakeholders that this tool is not intended to be used as a regulatory hammer on industry. However, we have seen this tool surface in some pending CARB regulations and in legislation.

CLFP is engaging with a business coalition on this issue and is attempting to limit the scope and use of this tool.

Water Issues

(Staff Contact: Trudi Hughes)

Industrial General Permit for Storm Water Discharge

CLFP staff worked with the CLFP Water Resources Subcommittee on developing comments on the State Water Resources Control Board's (Board) Final Draft Industrial General Permit for Storm Water Discharge.

However, despite these improvements, CLFP still believes that this new draft permit is a significant departure from the existing permit standards. CLFP expressed a general concern that complying with this new draft permit will increase the time, energy, and costs for those who are already in compliance and questioned why those who have no exceedances would be required to do more and incur additional costs.

CLFP's comments were largely focused on building more flexibility into the permit to help our member companies more easily and cost effectively comply with the new permit conditions.

CV-SALTS

CLFP remains engaged with the CV-SALTS stakeholder coalition, which continues to work on revising the Central Valley Regional Water Board's (Board) Basin Plans to include a salt and nutrient management plan (SNMP). The plan, once adopted, will set the regulatory standards for all wastewater discharges in the Central Valley. CLFP's main goal in engaging on the CV-SALTS effort is to provide more regulatory flexibility and certainty for food processors with land application sites.

The Board is in the process of conducting CEQA scoping meetings in October to solicit public input on the SNMP. The components of the SNMP that may be developed and considered for incorporation into the Basin Plans include:

- Changing the Basin Plan's Beneficial Use Classification System: The Board may define new beneficial uses or new beneficial use subcategories that could be applied to specified water bodies or categories of water bodies.
- Specifically Delineating Water bodies: The Board may specifically delineate water bodies or classes of water bodies that are currently only generally mentioned in the Basin Plans.
- Incorporating Management Zone Concept: The Board could delineate "management zones" which would be portions of existing water bodies where alternate regulatory measures would apply. The Board may develop specific implementation plans to address salt and nitrate concerns within these zones
- Changing Existing Salinity Water Quality Objectives (WQOs): The Board may establish new numeric and/or narrative WQOs, and may adopt guidance for interpreting and implementing new or existing narrative WQOs.

- Adding Implementation Plans and/or Changing Existing Implementation Plans: The Basin Plans currently contain implementation plans that do not adequately address current and historic salt and nitrate impacts. The Board may adopt new implementation plans and/or change existing implementation plans.
- Adopting New Policies: The Board may adopt new policies to address concerns such as water recycling, climate change, extreme weather conditions (including drought), and the recharge of storm water runoff.

CLFP staff will continue to work with the Board on the CV-SALTS efforts. In the best case scenario, the Board would adopt final Basin Plan Amendments in 2018.

Water Conservation

CLFP is working to get ahead of legislative and regulatory mandates to reduce water use. In 2009, a law was enacted that requires a 20% reduction in water use by 2020. The law also required the formation of a Commercial, Industrial, and Institutional Task Force (CII Task Force) to make recommendations in a report to the Legislature about establishing reasonable water use efficiency metrics and water conservation management practices in the commercial, institutional, and industrial sectors.

CLFP actively engaged in the CII Task Force to make sure that the interests of the food processing industry were represented. The CII Task Force's report to the legislature was originally due in April of 2012. However, this deadline was pushed back due to the complexities of the issues. The final draft was reviewed by the CII Task Force on October 21, 2013.

In anticipation of the final release of this report to the Legislature, the CLFP Water Resources Subcommittee's Water Use Efficiency Working Group is developing an RFP for a water use efficiency study which will include a comprehensive review and analysis of water use and conservation practices employed in the food processing industry. With increasing pressure from regulatory agencies and the Legislature on water conservation in the industrial sector, and food processing in particular, CLFP needs to be armed with information on historical water use trends and current water conservation practices, as well as options for measuring current water use.

Food Safety

(Staff Contact: Allyson Rathkamp)

CLFP staff have drafted comments to the Food Safety Modernization Act (FSMA) dockets entitled, *Current Good Manufacturing Practice and Hazard Analysis and Risk-Based Preventive Controls for Human Food* (Preventative Controls) and *Standards for the Growing, Harvesting, Packing, and Holding of Produce for Human Consumption* (Produce Safety) and is working with the CLFP Food Safety, Nutrition and Labeling committee on finalizing the comments prior to the November 15, 2013 deadline.

Climate Change

(Staff Contact: John Larrea)

AB 32/Cap-and-Trade

Scoping Plan Update

The Air Resources Board is in the process of updating the Scoping Plan. The Scoping Plan describes the comprehensive range of efforts the CARB believes California must take to reduce greenhouse gas (GHG) emissions to 1990 levels by 2020. AB 32 requires the Scoping Plan to be updated every five years.

CARB has released a draft plan for public comment and review. This discussion draft includes an analysis of progress to date as well as an number of suggested expansions of the AB 32 program in key focus areas: energy; transportation, land use, fuels and infrastructure; water; agriculture; natural and working lands; and, waste.

CLFP supports the update of the Scoping Plan, but has opposed the inclusion of any discussion of post-2020 issues in the update. Key issues that CLFP support include no expansion of AB 32 until other states have joined California in the cap-and-trade market ,and CARB performing an update on the GHG emissions inventory.

Following the public workshop the Board will meet at the end of October to hear from all stakeholders and provide further direction to staff on revisions to the discussion draft. Following the October Board meeting, the draft will be revised and then presented to the Board at its December meeting. The Board is anticipated to consider approval of the update in Spring of 2014.

Regulatory Changes to AB 32 Implementation

The Air Resources Board is in the process of making changes, additions, and updates to both the Mandatory Reporting Requirements and the Cap-and-Trade Regulations. In its recommendations, staff has proposed that there be no change in allowance allocation for obligated entities through 2017. Essentially, all obligated entities will continue to receive the same amount of free allowances in the second compliance period as received in the first compliance period. The first period terminates at the end of 2014.

So far, the Board is supportive but environmental groups and the environmental justice community has expressed opposition to staff's recommendation. CLFP and others are working to get the regulation approved as quickly as possible. CLFP will be submitting comments to CARB on this issue and other impacting the food processing industry.

Energy

CLFP is engaged on several fronts regarding energy issues of importance to the food processing industry. Currently, CLFP is a party to three California Public Utilities Commission proceedings – PG&E General Rate Case, the Pipeline Safety Enhancement Plan, and the AB 32 Utility Allowance Allocations proceeding.

However, new proceedings are expected to affect CLFP members in the near future:

- CLFP expects the CPUC to initiate an expansion of the Renewable Portfolio Standard (RPS) beyond the current 33%
- CLFP is engaged in the development of the Industrial Action Plan, a part of the CPUC's Energy Efficiency Strategic Plan for 2013-2014

The RPS came to the forefront this year when the Legislature passed legislation making the 33% RPS a floor and giving authority to the CPUC to raise California RPS goals. We fully expect to see an effort by renewable energy interests to push for an increase in the RPS to 40% or higher. The Governor has shown his commitment to more renewables with the release of the Governor's Environmental Goals and Policy Report (EGPR) entitled "California @ 50 Million", California's Climate Future.

The Industrial Action Plan is an effort by the CPUC to address food processing, agricultural and manufacturing needs in energy efficiency and demand-side management as articulated in the California Energy Efficiency Strategic Plan. CLFP joined with CIFAR to provide recommendations and input as to developing programs for industrial customers.

CARE

Californians for Affordable & Reliable Energy (CARE) is a non-partisan coalition advocating for a comprehensive state energy plan on fuels and electricity emphasizing affordability, reliability and adequate supply. CLFP joined CARE as steering committee member and has been actively engaged in its efforts to build awareness of the need for an integrated energy strategy to accomplish those goals. CARE's position echoes the California's Little Hoover Commission's recommendation in calling for an energy "time-out" – calling on California to step back and assess what how much it has cost the ratepayers and taxpayers before any new programs are developed or new mandates are imposed.

**November 8, 2013 California Cling Peach Board Meeting
Trade Update**

The Administration is pushing an aggressive trade agenda for the remaining two months of 2013, and 2014, which includes trade defensive actions against China; Trade Promotion Authority, which should address import-sensitivity; two high-standard, comprehensive free trade agreements -- one with 11 other transpacific countries including Japan, and the other with the European Union; and renewal of the African Growth and Opportunity Act (AGOA). We are working with USTR and USDA on all of these issues, since every one has commercial implications for the California cling peach industry.

1. China

Board Issues

- China continues to be the California cling peach industry's biggest trade concern because of the sales U.S. cling peach growers are losing to low-priced Chinese canned peaches in the U.S. market and in Canada and Mexico and because China is targeting its canned peach industry for expansion and improved export competitiveness.
- China is already the largest global canned peach exporter and the largest exporter of canned peaches to the U.S. market. Since 2005, China's canned peach exports to the U.S. have increased 600%. They were worth \$60 million in 2012 and have grown almost another 70% from June to August of this year compared to the same period a year ago.
- For these reasons, China is the principal basis for the California industry's continuing import-sensitive designation in U.S. trade initiatives and trade preference programs.

Board Action

- Last year, the Board initiated an FAS-funded study to help substantiate its import-sensitive designation and China's use of subsidies to support its canned peach industry. The principal focus of the study was a new form of subsidy known as "export bases" and "demonstration bases," which the USG was, at the time, investigating in the industrial sector.
- A China-based contractor did the study. It took a year to complete even with native Chinese researchers in China doing the work. Most of the information was not in the public domain and buried in hard-to-decipher provincial and sub-provincial government documents or obtained through on-site visits to bases.
- The study resulted in an impressive number of detailed findings concerning the large subsidies China is providing to its canned peach, canned pear, and citrus sectors. These findings are attracting an unusual amount of positive comments and interest from USTR and USDA.
- The findings substantiate that China's central, provincial, and municipal governments are heavily supporting the establishment and operation of canned peach "bases" to increase and improve China's canned peach production and providing other subsidies in the form of preferential loans, tax incentives, subsidies for infrastructure, equipment, and fertilizer, and fruit processing support.
- Last week Rich, Carolyn, and I participated in a meeting in Washington organized by USTR to discuss the study's findings and possible ways to use those findings to discipline China's canned

peach subsidies and its growing presence in the U.S. market. Twelve USTR and USDA officials participated in the meeting, including several USTR lawyers and the head of USTR's China office.

- More USTR research and analysis is needed before a USG decision on remedial or other steps can be made, but the USG is examining WTO options, including a possible WTO action against Chinese agricultural bases, which would cover the canned peach sector.
- The meeting provided other benefits for the Board. All USG officials in the meeting were reminded of the California cling peach industry's import-sensitivity, and all now have a good understanding of how subsidized, low-priced Chinese canned peaches are harming the California cling peach industry.
- In the coming months, we will be working closely with USTR and FAS on next steps to help stabilize the China situation.

2. Trade Promotion Authority (TPA)

Board Issues

- New bipartisan TPA (fast-track) legislation to replace the TPA law that expired in 2007 may be introduced by the House Ways and Means Committee and Senate Finance Committee later this year or in early 2014.
- The expired TPA law required special treatment for import-sensitive U.S. agriculture products, including canned peach products, by requiring that in trade initiatives, U.S. tariffs on import-sensitive agriculture products could not be reduced or eliminated without special consideration, consultation, and analysis by the USG. Further, any tariff reduction proposed by the President that was below the bound Uruguay Round rate needed Congressional approval.
- The import-sensitive TPA provisions helped ensure that in the U.S.-Chile and U.S.-Australia FTAs, the Board's U.S. cling peach tariffs were subject to the longest authorized phase-out periods with safeguard measures, and in preferential tariff programs like AGOA and GSP, they were exempted from duty-free treatment. Inclusion of similar import-sensitive language in any new TPA law is critical to ensuring that the Board's tariffs are similarly protected in the pending U.S.-EU free trade agreement, the TPP agreement with Japan, and AGOA reauthorization.

Board Action

- We have been working through Rich to ensure that language is included in any new TPA law guaranteeing import-sensitive designation for canned peaches, canned fruit mixtures, and frozen peaches.
- Because no TPA bill has been introduced yet, continued efforts are needed on the import-sensitive provisions until a new TPA law is enacted.

3. U.S.-EU Transatlantic Trade and Investment Partnership (TTIP)

Board Issues

- TTIP will be a comprehensive FTA between the United States and all 28 EU countries. The goal is to eliminate all or almost all U.S. and EU tariffs. The agreement is not likely to discipline EU canned peach subsidies.
- Because California growers continue to lose sales in the U.S. market to low-priced, subsidized Greek canned peaches, the Board's priority TTIP goal is to protect the industry's U.S. tariffs from reduction or elimination to the maximum extent allowed by the agreement. TTIP tariff treatment is also important because Greek canned peaches may soon be getting preferential tariff access into Canada under the just completed EU-Canada FTA and into Mexico if the EU and Mexico renegotiate their FTA in 2014.
- Strong canned fruit rules of origin are also needed to prevent transshipments of non-EU canned peaches through EU countries to the U.S. market that would benefit from FTA tariff preferences.
- Another concern relates to the EU's interest in eliminating or watering down U.S. 'Buy America' provisions, since this could affect the "Buy America" provisions covering school nutrition programs.

Board Action

- In May and June, the Board submitted comments to USTR and the ITC on its TTIP priorities including maximum import-sensitive treatment for U.S. cling peach tariffs, price-based safeguards if permitted by the agreement, strong rules of origin, and no changes in the school nutrition programs' "Buy America" provisions.
- Since then, we have been staying in close contact with USTR and FAS negotiators responsible for negotiating the TTIP agriculture tariffs, rules of origin, and "Buy America" provisions. Because the U.S. and EU are trying to complete the TTIP negotiations by the end of 2014, these issues will require regular industry input and engagement with the Administration for the remainder of this year and 2014.

4. Transpacific Partnership Agreement (TPP)

Board Issues

- Since we last spoke, Japan has joined the TPP negotiations.
- The 12 TPP countries (Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, United States, and Vietnam) want to conclude the TPP negotiations by the end of 2013, but most believe the agreement will not be concluded until sometime in 2014 because of Japan's late entry into the negotiations.
- The U.S. is negotiating tariff reductions with the five countries that do not already have FTAs with the United States (Brunei, Japan, Malaysia, New Zealand, and Vietnam). Existing U.S. FTA tariff phase-out periods with Chile and Australia will not be changed.

- Japan is the Board's biggest concern because it is the one TPP country without an existing U.S. FTA that is a producer and exporter of canned peaches and a potential processing or repacking destination for peaches from China, Greece, or other source. The Board is asking for maximum tariff phase-out periods with respect to Japan, price-based safeguards if permitted, and strong rules of origin to prevent Chinese or Greek canned peaches from being transshipped through Japan or other TPP country and exported to the United States under preferential TPP tariffs.

Board Action

- We have been staying in close contact with USTR and FAS TPP negotiators about the need for strict canned fruit rules of origin and import-sensitive treatment for U.S. cling peach tariffs. In June, the Board submitted comments to USTR and the ITC on its TPP-Japan priorities.
- The canned fruit rules of origin are a challenge because the 11 non-U.S. TPP countries are resisting the U.S.-proposed canned fruit rules that require the fresh peaches be grown in a TPP country for the canned product to get a tariff preference and exemptions from the de minimis rule that would otherwise allow a small percentage of non-TPP peaches. USG negotiators continue to insist on the Board's canned peach specific rules of origin and have tried to minimize resistance by reformatting the rule so it is under each canned peach product rather than a chapter rule.

5. African Growth and Opportunity Act (AGOA)

Board Issues

- The AGOA law gives duty-free access into the U.S. market for nearly all goods from South Africa and other Sub-Saharan African countries, but not canned peaches, canned fruit mixtures or frozen peaches. AGOA expires on September 30, 2015.
- The Administration and many in Congress want AGOA renewed before it expires. USTR is considering ways to structure a renewed AGOA law, including expanding its coverage to include products not currently duty-free eligible. AGOA renewal will therefore put the Board's exempted canned peach tariffs at risk for duty-free treatment.

Board Action

- The Board's efforts in identifying Chinese canned peach subsidies and industry work on TPA import-sensitive designation are aimed at helping the California industry's import-sensitive designation for AGOA.
- South Africa's canned peach industry is likely to seek duty-free access in AGOA renewal. The California industry will need to work closely with USTR, FAS, and other supporters to insist that the existing exemptions from duty-free access for all three cling peach products are maintained in a new AGOA law.
- In the next two months, the ITC will be conducting four fact-finding investigations on AGOA renewal. One will focus on the impact of expanding the list of products not provided duty-free access under the current AGOA law. The public announcement of the investigations has not yet been issued, but we have already talked to ITC staff and the FAS AGOA office about keeping the duty-free exemptions for canned peaches, canned fruit mixtures, and frozen peaches. In the next few months, the Board will need to submit written comments to the ITC reinforcing that point.

CA Cling Peach Board

Board Number 90-0

Fiscal Year Ending 5/31/2014

10/31/2013

Month-End Report

PR 1

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Carryover for Fiscal Year 2014

736,714.43

Account no.	Account Description	Pre. Budget	Rev. Budget	Inc. MTD	Inc. YTD	Balance	Percent
90- 0-0-110	Assessments, Current	1,015,000.00	1,015,000.00	0.00	1,005,173.95	9,826.05	99.0%
90- 0-0-120	Interest Income	5,000.00	5,000.00	0.03	2,055.49	2,944.51	41.1%
90- 0-0-132	Foreign Promo. Reimburs.	499,386.00	499,386.00	0.00	0.00	499,386.00	0.0%
90- 0-0-140	Other Income	55,000.00	55,000.00	0.00	10,000.00	45,000.00	18.1%
90- 0-0-165	SCBG Grant	112,827.00	112,827.00	0.00	52,068.14	60,758.86	46.1%
		=====	=====	=====	=====	=====	=====
	Income Sub-total	1,687,213.00	1,687,213.00	0.03	1,069,297.58	617,915.42	63.3%

Account no.	Account Description	Pre. Budget	Rev. Budget	Exp. MTD	Exp. YTD	Balance	Percent
	*** ADMINISTRATION ***						
90- 0-1-305	Management Services	92,400.00	92,400.00	7,700.00	30,800.00	61,600.00	33.3%
90- 0-1-315	Audits	6,000.00	6,000.00	189.00	189.00	5,811.00	3.1%
90- 0-1-320	Office Supplies	2,500.00	2,500.00	194.88	738.01	1,761.99	29.5%
90- 0-1-330	Telephone	1,200.00	1,200.00	114.93	468.30	731.70	39.0%
90- 0-1-335	Postage	2,000.00	2,000.00	20.78	736.39	1,263.61	36.8%
90- 0-1-355	Travel & Mileage	15,000.00	15,000.00	0.00	3,058.15	11,941.85	20.3%
90- 0-1-360	Meetings	5,000.00	5,000.00	26.35	397.68	4,602.32	7.9%
90- 0-1-370	Insurance	1,600.00	1,600.00	0.00	153.00	1,447.00	9.5%
90- 0-1-390	Miscellaneous	500.00	500.00	0.00	168.16	331.84	33.6%
90- 0-1-710	Marketing Branch	28,000.00	28,000.00	1,728.42	5,678.77	22,321.23	20.2%
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	Sub-total	154,200.00	154,200.00	9,974.36	42,387.46	111,812.54	27.4%

	*** PROMOTION ***						
90- 0-2-407	Domestic Promotion	435,000.00	435,000.00	39,986.40	273,760.38	161,239.62	62.9%
90- 0-2-408	Specialty Block Grant	112,827.00	112,827.00	5,000.00	50,011.84	62,815.16	44.3%
90- 0-2-490	Foreign Promotion	624,233.00	624,233.00	-12,130.34	39,331.29	584,901.71	6.3%
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	Sub-total	1,172,060.00	1,172,060.00	32,856.06	363,103.51	808,956.49	30.9%

	*** RESEARCH ***						
90- 0-3-503	Processor Audits	5,000.00	5,000.00	0.00	0.00	5,000.00	0.0%
90- 0-3-513	Prod. Research Reserve	100,000.00	100,000.00	0.00	0.00	100,000.00	0.0%
90- 0-3-515	CA Specialty Crops Council	1,000.00	1,000.00	0.00	1,000.00	0.00	100.0%
90- 0-3-550	Production Research	150,411.00	150,411.00	0.00	75,178.50	75,232.50	49.9%
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	Sub-total	256,411.00	256,411.00	0.00	76,178.50	180,232.50	29.7%

	*** GOVERNMENT/TRADE RELATIONS ***						
90- 0-8-317	Consultants	195,000.00	195,000.00	45,420.38	117,261.48	77,738.52	60.1%
90- 0-8-355	Travel & Mileage	15,000.00	15,000.00	0.00	1,943.48	13,056.52	12.9%
90- 0-8-444	World Peach Conference	10,000.00	10,000.00	0.00	0.00	10,000.00	0.0%
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	Sub-total	220,000.00	220,000.00	45,420.38	119,204.96	100,795.04	54.1%

	Expenditures Sub-total	1,802,671.00	1,802,671.00	88,250.80	600,874.43	1,201,796.57	33.3%
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	Income Less Expenditures			-88,250.77	468,423.15		
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	Cash Balance as of 10/31/2013				1,205,137.58		
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